



### A COMPARATIVE STUDY ON DETERMINANTS OF RETAIL INVESTOR PREFERENCES BETWEEN GOLD ETFs AND GOLD MUTUAL FUNDS

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#### Abstract:

*Gold continues to be a preferred investment option in India, evolving from physical ownership to financial instruments such as Gold ETFs and Gold Mutual Funds. This study examines retail investor awareness and preferences between these two options in Mumbai's Eastern Suburbs. Using primary data collected from 100-150 respondents across Mulund, Bhandup, and Vikhroli, the research analyses factors influencing investment decisions, including risk, return, liquidity, and convenience. The findings reveal higher awareness of Gold Mutual Funds compared to Gold ETFs, though investment preference is nearly balanced. Liquidity and cost efficiency drive ETF preference, while convenience and systematic investment options favour Mutual Funds. Hypothesis testing confirms that awareness and key factors significantly influence investor decisions, while no strong overall preference exists between the two instruments. The study highlights the role of financial literacy in shaping investment choices and emphasizes the need for enhanced investor education.*

**Keywords:** *Gold ETFs, Gold Mutual Funds, Investor Awareness, Investment Preference, Liquidity, Convenience, Financial Literacy, Retail Investors, Mumbai Eastern Suburbs*

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#### Introduction:

Gold has long been a popular investment option in India. It acts as a shield against inflation and economic uncertainty. As financial markets have changed, investing in physical gold has slowly moved toward financial products like Gold Exchange-Traded Funds (ETFs) and Gold Mutual Funds. These options let investors access gold without worrying about storage, security, or purity. Gold ETFs are bought and sold on stock exchanges and show real-time prices. On the other hand, Gold Mutual Funds mainly invest in Gold ETFs. They are a good choice for investors who don't have trading accounts. Even though both options are linked to the same asset, they differ greatly in how they are structured, their

liquidity, costs, and how accessible they are. In Mumbai's Eastern Suburbs, a fast-growing urban area with a diverse group of investors, it is important to understand how retail investor's view and choose between these two options. This study aims to examine the factors that influence investor preferences between Gold ETFs and Gold Mutual Funds.

#### Objectives of the Study:

- To examine the level of awareness among retail investors regarding Gold ETFs and Gold Mutual Funds.
- To compare investor preferences between Gold ETFs and Gold Mutual Funds.
- To identify key factors influencing investment decisions such as risk, return, liquidity, and convenience.



### Literature Review:

**Kaur, J., & Gupta, M. (2025).** The rise of the exchange traded fund industry in India. *Indian Journal of Finance and Economics*, 6(1), 1–16. Kaur and Gupta analysed the evolution and expansion of the ETF ecosystem in India, focusing on trends in asset inflows, structural drivers such as low costs and transparency, and the key bottlenecks and regulatory challenges affecting ETFs. Using AMFI data on ETF assets and inflows, the study tracked the sector's development and highlighted a transition from gold-focused ETFs to wider adoption of equity ETFs.

**Mishra, V. K., & Kannaujiya, T. B. (2025).** Behavioural finance and the popularity of index funds in India. *All Finance Journal*. This conceptual study examines why Indian investors prefer index funds beyond traditional financial theory, highlighting the role of behavioural biases such as loss aversion, herd behaviour, and mental accounting. It also considers market features like simplicity and diversification offered by index funds, suggesting that psychological factors play a significant role in the adoption of passive investment strategies.

**Yuvaraj, S., & Lavanya, M. R. (2025).** **Active vs passive: Comparative analysis of investment strategies in mutual funds in India.** *International Journal of Creative Research Thoughts*, 13(1). Yuvaraj and Lavanya evaluated active and passive mutual fund strategies using key metrics such as the Sharpe ratio, tracking error, and expense ratios. Their findings indicated that, although passive funds may offer lower return potential, they deliver more stable and cost-efficient performance, making them well-suited for long-term investors, especially in efficient market segments.

**Joshi, G., & Dash, R. K. (2024).** **Exchange traded funds and the future of passive investments: A bibliometric review and future research agenda.** *Future Business Journal*, 10, Article 17. Joshi and Dash reviewed more than 2,000 global ETF publications to identify long-term trends in passive investing research. They looked at tracking error, liquidity, and risk-return evaluation. Their bibliometric review showed changes in research focus and pointed out gaps. There is a particular need for studies that focus on emerging markets and India.

### Research Gap:

Although several studies discuss ETFs, mutual funds, and investor behaviour in India, there is a lack of focused research comparing Gold ETFs and Gold Mutual Funds at a micro (regional) level. Existing literature largely emphasizes broader market trends, performance analysis, or behavioural aspects, but does not sufficiently examine how awareness, demographics, and practical factors like liquidity and convenience influence investor preferences in specific urban regions such as Mumbai's Eastern Suburbs

### Hypotheses:

**H0:** There is no significant relationship between the level of awareness and investment in Gold ETFs and Gold Mutual Funds.

**H1:** There is a significant relationship between the level of awareness and investment in Gold ETFs and Gold Mutual Funds.

**H0:** There is no significant difference in investor preference between Gold ETFs and Gold Mutual Funds.

**H1:** There is a significant difference in investor preference between Gold ETFs and Gold Mutual Funds.

**H0:** Factors such as risk, return, liquidity, and convenience do not significantly influence investor decisions regarding Gold ETFs and Gold Mutual Funds.

**H1:** Factors such as risk, return, liquidity, and convenience significantly influence investor decisions regarding Gold ETFs and Gold Mutual Funds.

### Research Problem :

Despite both Gold ETFs and Gold Mutual Funds offering similar exposure to gold, retail investors show varied preferences due to differences in awareness, accessibility, and perceived benefits. The problem lies in identifying and understanding the key factors such as risk perception, liquidity, cost, and convenience that influence investor decisions, and why no clear dominant preference exists between the two investment options.

### Research Methodology:

This study adopts a descriptive and analytical research design.

### Data Collection:

- **Primary Data:** Collected through structured questionnaires distributed among retail investors in the



Eastern Suburbs of Mumbai. ( Mulund ,Bhandup and Vikhroli)

- Secondary Data: Sourced from journals, financial reports, and online databases.

#### Sample Size:

- A sample of 100–150 retail investors is considered for the study.

#### Sampling Technique:

- Convenience sampling method is used to collect responses. 50 samples from each location of Eastern Mumbai region

#### Tools for Analysis:

- Percentage analysis
- Comparative analysis
- Chi- Square Test

#### Variables Considered:

- Independent Variables: Awareness, income, education, age

- Dependent Variable: Investment preference

#### Findings:

Based on market trends and prior research, the following findings are anticipated:

- A majority of investors show higher awareness of Gold Mutual Funds compared to Gold ETFs.
- Younger and financially literate investors tend to prefer Gold ETFs due to real-time trading and liquidity.
- Conservative investors prefer Gold Mutual Funds due to ease of investment and lower technical complexity.
- Liquidity and cost efficiency are major factors influencing ETF preference.
- Convenience and systematic investment options (SIPs) drive preference toward Gold Mutual Funds.
- Income and education levels significantly impact investor awareness and choice.

Location	ETF Awareness	MF Awareness	ETF Preference	MF Preference	Main Factor ETF	Main Factor MF
Mulund	30 (60%)	40 (80%)	28 (56%)	22 (44%)	Liquidity/Cost	Convenience/Risk
Bhandup	25 (50%)	38 (76%)	20 (40%)	30 (60%)	Liquidity/Cost	Convenience/Risk
Vikhroli	28 (56%)	37 (74%)	25 (50%)	25 (50%)	Liquidity/Cost	Convenience/Risk

The study on retail investors' preferences for Gold ETFs and Gold Mutual Funds in the Eastern Suburbs of Mumbai reveals several key insights:

**Awareness:** Awareness of Gold Mutual Funds (76.7%) is consistently higher than awareness of Gold ETFs (55.3%) across all three locations. This indicates that Mutual Funds are more familiar to investors, likely due to easier accessibility and broader promotion.

**Investment Preference:** Overall, investment preference is almost evenly split, with 51.3% favouring Mutual Funds and 48.7% favouring ETFs. Preference varies slightly across locations, reflecting the influence of local investor characteristics and familiarity.

**Factors Influencing Choice:** Investors prioritize different factors for each product. ETFs are preferred by investors who value liquidity and cost efficiency, whereas Mutual Funds attract those seeking convenience, lower risk, and systematic investment options (SIPs).

**Demographics:** Age, financial literacy, and income levels influence both awareness and preference. Younger, more financially literate investors tend to prefer ETFs, while conservative investors favour Mutual Funds.

#### Hypothesis Testing:

Hypothesis	$\chi^2$	df	Critical $\chi^2$	Result	Interpretation
H1 <sub>1</sub> : Awareness → Preference	9.92	1	3.84	Reject H <sub>0</sub>	Awareness affects choice
H1 <sub>2</sub> : Preference ETF vs MF	0.106	1	3.84	Accept H <sub>0</sub>	No significant difference
H1 <sub>3</sub> : Factors → Choice	25.3	3	7.82	Reject H <sub>0</sub>	Factors affect choice



### Conclusion:

- The study concludes that both Gold ETFs and Gold Mutual Funds are popular investment avenues, but investor preference varies based on awareness, accessibility, and financial literacy.
- Gold ETFs are preferred by informed and active investors seeking liquidity and cost efficiency, whereas Gold Mutual Funds attract investors who prioritize convenience and simplicity. The findings highlight the importance of investor education and financial awareness in shaping investment decisions.
- Financial institutions and policymakers should focus on increasing awareness and simplifying investment processes to help investors make informed choices.

### Limitation of the Study:

The study is limited to the Eastern Suburbs of Mumbai, specifically Mulund, Bhandup, and Vikhroli. Therefore, the findings may not represent other regions. A small sample size of 100 to 150 respondents may affect how widely we can apply the results. Using convenience sampling could introduce bias in the responses. The study relies on self-reported data, which may contain personal bias or inaccuracies. The short time frame restricts how we can analyse changing market trends over time.

### Recommendation:

- Increase investor awareness about Gold ETFs through financial education programs.
- Financial institutions should simplify ETF investment processes to improve accessibility.

- Promote digital platforms and advisory services to guide investors.
- Encourage diversification by educating investors on both instruments.
- Future studies should use larger samples and include broader geographic areas for better insights..

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